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News release

For Release: November 1, 2010

Feldmann & Company CPAs, P.C. today released an Independent Accountants' Report on Applying Agreed-Upon Procedures for the City of Willey for the period from July 1, 2003 through June 30, 2010. The Agreed-Upon Procedures were performed at the request of the Mayor and City Council after it was discovered that questionable disbursements had been made from the City's bank account.

As a result of performing the Agreed-Upon Procedures, questionable disbursements totaling \$18,037.83 were identified. The questionable disbursements include the following: \$6,925.80 of payments made to the former City Clerk and Treasurer, \$3,120.71 of payments made on a personal credit card, \$599.27 of payments made to Amazon.com, \$7,024.39 of payments made to the former City Clerk and Treasurer's immediate family, \$350.00 of questionable cash withdrawals, and \$17.66 of other questionable disbursements. It was also discovered that \$614.00 of funds collected from the City's water customers had not been deposited into the City's bank account.

Additionally, \$2,086.52 in warrants received from the State of Iowa had been allowed to expire, because they were not deposited into the City's bank account in a timely manner. It is expected that these warrants will be reissued by the state.

It was also discovered that the City lost \$158.00 in potential revenue from Carroll County because agricultural land property tax levies were not certified for the 2006/2007 tax year. The City also incurred at least \$141.67 in unnecessary penalties and interest, because the City's sales tax returns were not always filed on a timely basis.

The report also includes recommendations to the Mayor and City Council to strengthen the City's internal controls.

Copies of this report have been filed with the Iowa State Auditor's Office. A copy of the report is available for review on the Auditor of State's web site at <http://auditor.iowa.gov/reports/search.php>.

**CITY OF WILLEY
WILLEY, IOWA**

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2003 THROUGH JUNE 30, 2010**

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INDEPENDENT ACCOUNTANTS' REPORT

To the Honorable Mayor and
Members of the City Council:

We have performed the procedures enumerated in the attached pages, which were agreed to by the Management of the City of Willey, on selected accounting records and transactions of the City for the period beginning July 1, 2003 and ending June 30, 2010, solely to assist the City in determining the accuracy and propriety of the City Clerk's records and transactions. The City's Management is responsible for the City's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached supplement either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not conduct an audit, the objective of which would be an expression of an opinion on the City of Willey's financial statements or specified accounts or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report relates only to the accounts and items which were specified in our engagement letter to you and does not extend to any financial statements of the City of Willey, taken as a whole.

This report, a public record by law, is intended solely for the information and use of the Mayor, Members of the City Council, and officials and citizens of the City of Willey and other parties to whom the City of Willey may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Feldmann & Company CPAs, P.C.

Feldmann & Company, CPAs, P.C.
Carroll, Iowa
October 29, 2010

PROCEDURES PERFORMED

We performed the following agreed-upon procedures to selected financial transactions of the City of Willey for the period from July 1, 2003 through June 30, 2010. We were asked to perform these agreed upon procedures by the Mayor and the City Council of the City of Willey as a result of concerns regarding certain disbursements made with City funds. Based on discussions with City personnel and a review of relevant information, we performed the following procedures for the periods specified.

1. Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
2. Reviewed the activity in the bank accounts held by the City to identify any unusual activity. We also examined redeemed checks, images of checks, deposit slips and related documents for propriety.
3. Scanned all disbursements from the City's accounts for reasonableness. We also examined documentation for certain disbursements to determine if they were appropriate, properly approved and supported by adequate documentation. Scanned all checks issued from the City's checking account and examined documentation for certain payments to determine if the payments were approved, properly supported and for appropriate purposes.
4. Obtained and reviewed statements and invoices for activity related to charge accounts established in the City's name to determine propriety of activity.
5. Examined deposits to the City's bank accounts to determine the source, purpose and propriety of each deposit and to determine deposits were made intact.
6. Confirmed payments to the City by the State of Iowa and Carroll County to determine whether they were properly deposited to the City's accounts.
7. Reviewed the utility system billing and collection records to determine collections were properly accounted for and deposited.
8. Reviewed the City Council meeting minutes that were available for the period of time from July 1, 2003 through June 30, 2010 for significant actions. City Council minutes were not available for the meetings that were held prior to April of 2007. The minutes were also not available for the October 2008 meeting.
9. Reviewed the general ledger detail prepared by the former City Clerk, Lori Schreck, and compared it to the City's bank account to determine if transactions were properly recorded.

One of the agreed upon procedures we were to have performed per our engagement agreement was to review payroll disbursements. However, we found upon review of the accounting records that the City did not have anyone that was treated as an employee during the period of time from July 1, 2003 through June 30, 2010. Therefore, there were no payroll disbursements available for our review.

The procedures described above do not constitute an audit of financial statements conducted in accordance with United States Generally Accepted Auditing Standards. Had we performed additional procedures, or had we performed an audit of financial

statements of the City of Willey, other matters might have come to our attention that would have been reported to you.

SUMMARY OF FINDINGS AND OBSERVATIONS

GENERAL

This section of our report summarizes our findings and observations as a result of performing the procedures described above.

Findings and observations related to conformity with United States Generally Accepted Accounting Principles were limited to information that came to our attention in connection with performing the procedures described above, which are substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards. Accordingly, we make no representation as to whether all adjustments necessary to be in conformity with Generally Accepted Accounting Principles have been identified and disclosed in this summary.

BACKGROUND INFORMATION

City Clerk – Responsibilities and Duties

The City employed a part-time City Clerk who was responsible for the business operations of the City. The City Council appointed Lori Schreck as City Clerk and City Treasurer in January 2004. As the City Clerk and City Treasurer, Ms. Schreck was responsible for:

- 1) Cash – reconciliation of the bank account.
- 2) Receipts – collection, posting to the accounting records, deposit preparation and timely deposit of funds received.
- 3) Disbursements – presentation of invoices to the City Council for their approval, check preparation, check signing, distribution and posting to the accounting records.
- 4) Reporting – preparation of City Council meeting minutes and preparation of financial reports, including the monthly Clerk's report.
- 5) Reporting to authorities – preparation and submission of reports to other governmental agencies including the City's Annual Budget and Annual Financial Reports, the Street Finance Report, and sales tax returns.
- 6) Certification of property tax levies.
- 7) Water Utility Clerk - primary responsibility for utility collections and was solely responsible for utility billings and posting to customer accounts.

There are no established office hours for City Hall. Ms. Schreck worked as needed to fulfill her responsibilities as City Clerk.

Receipts and Deposits

The City's primary sources of revenue include road use tax and local option sales tax from the State of Iowa and property taxes collected by Carroll County and remitted to the City.

Revenue was also received during the period from July 1, 2003 through August 31, 2009 from utility collections for water fees charged to households and businesses. The city shut down its water system in September 2009. At that time the City's residents were able to begin receiving their water from West Central Iowa Rural Water Association.

Other major sources of revenue for the City included grant monies received for various purposes and jurisdictional transfers received from the State Treasurer through the County Engineer. The city also occasionally receives money from other sources including building permits and from the sale of City assets.

Records were not maintained for miscellaneous amounts received. Because adequate records were not maintained, it was not possible to determine the exact amount of funds received that were not deposited during Ms. Schreck's tenure as City Clerk.

Disbursements

According to City officials, disbursements are made by checks signed by the City Clerk. Because the City Clerk receives the mail, all invoices are typically received by the City Clerk. It was noted in several Council Meeting Minutes that bills were approved for payment, but copies of the lists of specific bills that had been approved for payment (including reimbursement checks and invoices) could not be found.

Prior to July 2004, Ms. Schreck manually prepared and signed disbursement checks and distributed them to the vendors. From July 1, 2004 until her resignation in July of 2010, Ms. Schreck maintained the records on QuickBooks and the vast majority of the checks were prepared using the QuickBooks program. There were a few isolated instances in which handwritten checks were issued.

In July 2010 concerns arose regarding some of the disbursements that were found to have been made from the City's bank account. Upon being approached regarding the questionable transactions, the City Clerk, Lori Schreck resigned from her position as City Clerk and Treasurer.

DETAILED FINDINGS

We have found that certain disbursements were either unauthorized or were not supported by sufficient documentation to ascertain that they were properly made for a public purpose. The improper or unauthorized disbursements include checks written to the former City Clerk and her immediate family, payments on a personal credit card account, unauthorized payments made to Amazon.com, a questionable cash withdrawal from the

City's bank account and other questionable disbursements. These questionable disbursements are discussed in greater detail under Exhibits B, C, D, E, and H below.

We have also found that certain funds which were collected that were to have been deposited to the City's bank account were not actually deposited. These undeposited funds include cash that appears to have been collected from water utility customers, but was not deposited. This is discussed in greater detail under Exhibit G.

The City also lost revenue and incurred unnecessary expense because the City Clerk failed to perform her duties. Three separate state warrants which were issued by the State of Iowa were not deposited into the City's checking account and were allowed to expire. The expired state warrants are discussed in greater detail under Exhibit I. The City also lost potential property tax revenue from Carroll County because ag land property tax levies were not certified one year. This is discussed in greater detail in Exhibit J.

In addition to unauthorized and improper expenditures, the City also incurred unnecessary expenditures due to the late filing of sales tax returns. The penalties and interest related to these late payments are detailed further in Exhibit K.

Exhibit A – Summary

The estimated total of unauthorized and/or questionable disbursements, undeposited funds, lost revenue and unnecessary expenditures is \$21,038.02. A summary of these items can be found in Exhibit A.

Exhibit B – Unauthorized Payments to Lori Schreck and Pleasant Valley Day Care.

We reviewed all payments issued to Ms. Schreck during the period of time from July 1, 2003 through June 30, 2010. During that time, there were a total of one-hundred and two checks issued to either Lori Schreck or to Pleasant Valley Day Care. The checks made payable to Pleasant Valley Day Care also had Ms. Schreck's name and address on them. We have been unable to determine why the checks were made payable to Pleasant Valley Day Care rather than directly to Ms. Schreck.

Listed in column [1] are the forty-eight checks totaling \$9,308.57 which were made payable to Lori Schreck. Listed in column [2] are the fifty-four checks totaling \$17,205.02 which were made payable to Pleasant Valley Day Care.

Listed in column [4] are the portions of each payment that Ms. Schreck received that were deemed to be authorized compensation for her duties as City Clerk and Treasurer. Beginning January 1, 2005, the City Council authorized Ms. Schreck to receive \$200.00 per month. In November 2006 this amount was raised to \$300.00 per month. The rate continued at \$300 per month until January of 2010, at which time the monthly compensation was reduced back down to \$200.00 per month. The City had shut down its water utility in September 2009 which significantly reduced the amount of time it required to Ms. Schreck to complete her duties as City Clerk and Treasurer.

In column [5] we have listed the portions of each check which were authorized reimbursements of expenses. Ms. Schreck requested reimbursement for copies, computer usage, records storage, office supplies, mileage and decorations she purchased for the City. In some cases requests for reimbursement were made for office supplies such as ink cartridges and paper although a request for reimbursement for copies had already been made for that month. There were several checks written to Ms. Schreck for which no authorization or supporting documentation could be found. The checks or portions of checks for which no authorization and/or documentation could be found totaled \$6,925.80 and are listed in column [6] of Exhibit B.

When we compared the cancelled checks to the general ledger detail we found several instances in which the payee per the General Ledger was not the actual payee per the cancelled check. Although Lori Schreck or Pleasant Valley Day Care was found to be the actual payee per the cancelled check, other individuals or companies were listed as the payee in the General Ledger. We reviewed the Audit Report from QuickBooks and found that the payee had been changed in QuickBooks.

It also should be noted that many of the checks which were made payable to Ms. Schreck and to Pleasant Valley Day Care cleared the bank account prior to the check date written on the check. In some cases the check cleared a week prior to the check date written on the check and date of the check per the General Ledger.

Exhibit C – Unauthorized and Improper Capital One Online Payments

We identified three payments made to Capital One from the City's checking account totaling \$3,120.71. According to the Mayor, the City does not have any credit cards in its name and does not have an account with Capital One. He also stated that these payments were not authorized. Additionally, no supporting documentation can be found related to these payments. Manipulations appear to have been made to the General Ledger which is maintained on QuickBooks in an attempt to hide the actual payee on these payments.

A payment to Capital One for \$1,408.79 cleared the bank on February 10, 2009. This transaction was not found in the General Ledger Detail, however there were three transactions totaling \$1,408.79 which were found in the General Ledger Detail near that date. These transactions did not appear on the bank statement. They were as follows: a payment of \$1,378.79 dated December 31, 2008 to Drees Oil, a \$20.00 service charge dated January 31, 2009 and a \$10.00 service charge dated February 28, 2009.

A second payment to Capital One for \$711.92 cleared the bank on May 26, 2009. This transaction was found on the General Ledger Detail, however there was no payee name was listed.

A third payment to Capital One for \$1,000.00 cleared the bank on May 4, 2010. This transaction was not found in the General Ledger Detail, however there were two adjustments made to transactions in the General Ledger which added up to \$1,000.00 which appear to have been entered in order that the checking account would reconcile.

Check # 3133 paid to the City of Dedham appears to have been changed from \$500.00 to \$1,000.00 in QuickBooks per a review of the Audit Trail. The check actually cleared the bank for \$500.00. Also, a check written to Dedham Cooperative for \$11.42 appears to have been changed to \$511.42 in QuickBooks. This check cleared the bank for \$11.42. The Audit Report indicates that these two \$500.00 increases were both made on May 3, 2010, just a day before the \$1,000.00 payment to Capital One was posted to the checking account even though the two checks that were adjusted had cleared the bank several months earlier.

These three unauthorized payments totaling \$3,120.71 which were made to Capital One are listed in Exhibit C attached and are included in the Exhibit A Summary as unauthorized and improper disbursements.

Exhibit D – Unauthorized and Improper Payments made to Amazon.com

We identified fourteen payments made to Amazon Internet and Amazon Marketplace Internet totaling \$769.26. The first of these fourteen payments was identified as a payment to Amazon in QuickBooks and there is a supporting document indicating that the \$169.99 was for a purchase of QuickBooks Pro 2008. There was no documentation found which indicates that this purchase was authorized or if it was made for a public purpose. A City Council member did recall Ms. Schreck mentioning the purchase of QuickBooks, therefore this purchase was allowed. No authorization or documentation was found for the remaining thirteen payments to Amazon. Therefore, they were deemed to have been unauthorized and improper.

The payments made to Amazon.com are listed on Exhibit D. The thirteen questionable payments totaling \$599.27 are listed in Column [3] of Exhibit D and are included on the Exhibit A Summary as unauthorized and improper disbursements.

Exhibit E – Unauthorized Payments Made Payable to Immediate Family Members

We also reviewed forty-one cleared checks which were made payable to Ms. Schreck's immediate family members including her husband Keith Schreck, and her sons, Jacob Schreck, Michael Schreck and Patrick McGuire. Per the vendor contact information found in QuickBooks the address for each of these "vendors" was the same as the known address of Ms. Schreck. These forty-one checks are listed in Exhibit E.

Included in the forty-one checks listed are twenty-two \$100.00 checks made payable to Ms. Schreck's husband for the period of time from December 2007 through September 2009. These are listed in Column [2] of Exhibit E. According to the Mayor, these payments were authorized by the City Council and were issued to compensate him for time spent monitoring and working with the City's water supply system during those months. The last \$100.00 check related to the water system was issued in September 2009. At that time the City shut down its water system and the City's residents and businesses switched to West Central Iowa Rural Water Association. In addition to the \$100.00 monthly checks, Mr. and Mrs. Schreck also received free water service from

October 2007 until the water system was shut down. The Schrecks had been paying \$46.00 per month for water until that time. The \$100.00 monthly compensation and the free water service were authorized by the City Council.

Also included in Column [2] of Exhibit E are three checks totaling \$257.21 which were deemed to have been properly issued for services provided to the City and for reimbursement of expenditures incurred on behalf of the City.

The remaining sixteen checks totaling \$7,024.39 are included in Column [3] of Exhibit E. No supporting documentation to ascertain whether these payments were issued for a public purpose or proof that these payments had been authorized could be found in the City's records. Therefore, \$7,024.39 has been included in the Exhibit A Summary as unauthorized and improper payments to Ms. Schreck's immediate family members.

We have been unable to determine which, if any, of these sixteen questionable checks that Ms. Schreck's husband and children were actually aware of and actually endorsed themselves. There is no indication that Mr. Schreck and the children even knew that the questionable payments were being made in their names. Upon a review of these cancelled checks, it was found that most of these checks did not contain a handwritten endorsement, but rather were stamped "For Deposit Only". Therefore, although it appears that Ms. Schreck signed each of these checks for the City as maker, it is unknown who actually deposited each of these checks.

While City Council members have admitted that Mr. Schreck did occasionally mow City ditches and other City property, helped with cleanup in the City, and performed certain repairs and maintenance for the City; they also indicated that there were several other individuals who had done the same and that those individuals had not been compensated for their efforts.

It was found from a review of the QuickBooks Audit Trail that the payee on check # 2938 (Item E15) had been changed in the General Ledger. The original payee was Keith Schreck and that is how the check cleared the bank, but it appears the payee was immediately changed in QuickBooks to Haley Equipment. It appears this was an attempt to hide the name of the actual payee of this check.

Exhibit F – Questionable Withdrawal of Cash from the City's Checking Account

There was a withdrawal of cash from the City's checking account on July 25, 2007 for which no supporting can be found except a copy of the ADVISE OF DEPOSIT OR CHARGE TO YOUR ACCOUNT memo which was included with the bank statement for July 2007. There is no purpose noted or documentation found regarding the use of these funds. This transaction is documented in Exhibit F and the \$350.00 total has been included as an unauthorized or improper disbursement on the Exhibit A Summary.

Exhibit G – Collected But Undeposited Utility Billings

We compared utility billing receipts listed on the Deposit Detail report from QuickBooks with the cleared deposit slips received from the bank.

We found seven discrepancies totaling \$614.00 that we have listed in Column [3] on Exhibit G. For items G1, G3, G4, and G7 the actual deposits which cleared the bank were short of the deposit amounts listed in the Deposit Detail. The undeposited funds appear to have been cash received from Water Utility customers. Items G2, G5, and G6 appear on the Deposit Detail, but no such deposits were found to have cleared the bank account. Again the missing funds appear to have been cash collections rather than checks. The seven deposits in question totaled \$1,800.65 per the Deposit Detail, but the actual deposits clearing the bank were only \$1,186.65, a difference of \$614.00.

This \$614.00 shortage has been included in Exhibit A as undeposited funds.

Exhibit H – Other Questionable Disbursements

Listed on Exhibit H is payment made to Bauer Built Tire for \$17.66. This disbursement is questionable because the payee per QuickBooks does not match the payee per the cancelled check. Also, no supporting documentation to ascertain whether these payments were issued for a public purpose or proof that these payments had been authorized could be found in the City's records.

Therefore, this payment of \$17.66 has been included on the Exhibit A Summary as a questionable disbursement.

Exhibit I – Undeposited State of Iowa Warrants

We obtained confirmation of all payments made to the City of Willey by the State of Iowa for the period from July 1, 2003 through June 30, 2010. We then compared this State record of payments made (warrants issued) to the City with the actual deposits made into the City's bank account. We have identified three warrants which were issued by the State which were not deposited into the City's bank account. These warrant numbers and their original issue dates can be found on Exhibit I. The amount of the three undeposited warrants totaled \$2,086.52. There is a possibility that the State may still reissue these warrants even though the warrants had been allowed to expire. If the State does not reissue these warrants then it would represent lost revenue to the City. Even if the State does reissue these warrants now the City still lost the use of those funds during the period of time that the warrants remained uncashed.

It was one of Ms. Schreck's duties as City Clerk to deposit these warrants in a timely manner. Therefore, the \$2,086.52 total of these undeposited warrants has been included on the Exhibit A Summary.

Exhibit J – Potential Revenue from Carroll County Property Taxes Lost Due to Failure to Certify Ag Land Property Tax Levy

We obtained confirmation of all payments made to the City of Willey by Carroll County for the period from July 1, 2003 through June 30, 2010. We determined that all payments due from the County per the County's records were properly deposited into the City's bank account. However, the City did lose approximately \$158.00 in potential revenue from ag land property taxes for the tax year ended June 30, 2007. The County did not forward these tax collections to the City because the ag land property tax levy had not certified as is required each year.

It was the responsibility of the City Clerk to certify all property tax levies, therefore this \$158.00 has been included on the Exhibit A Summary.

Exhibit K – Unnecessary Penalties and Interest Incurred Due to the Late Filing of Sales Tax Returns

The City collected and remitted sales tax to the Iowa Department of Revenue based on collections of water bills. During our review of the disbursements and the supporting documentation we found that several sales tax returns were not filed on a timely basis. In some cases, the sales tax returns were filed several months after the due date. For example, the sales tax return for the three months ending September 30, 2004 was due by October 31, 2004. It was not filed until late in January of 2005 resulting in a \$15.98 late payment penalty. The sales tax return for the three months ended March 31, 2009 was due April 30, 2009, but was not filed until almost three weeks later resulting in penalties and interest of \$32.85.

We have identified at least ten separate occasions that the sales tax returns were not filed timely. The amount of penalties and interest for six of these late returns totaled \$141.67. These are set forth in Exhibit K. The amount of penalties and interest charged on the other four late returns was not ascertainable, because no copy of the returns could be found.

It was the responsibility of the Ms. Schreck, the City Clerk and Treasurer, to file the sales tax returns on a timely basis. Therefore, the unnecessary expenditures totaling \$141.67 has been included on the Exhibit A Summary.

It is our understanding that Ms. Schreck has agreed to reimburse the City for amounts that she and her family received that are considered to have been unauthorized or improper.

Additionally, she has agreed to reimburse the City for legal costs incurred and the costs associated with performing these agreed upon procedures.

INTERNAL CONTROLS – OBSERVATIONS AND RECOMMENDATIONS

As part of our investigation, we reviewed the procedures used by the City of Willey to process receipts and disbursements, to perform bank reconciliations and to prepare financial statements. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures are designed to help ensure that the actions of one individual will act as a check on those of another and provide a level of assurance that errors or irregularities will be noted within a reasonable time during the course of normal operations.

Based on our findings and observations detailed above, the following recommendations are made to strengthen the City of Willey's internal controls.

A. Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. The former City Clerk had control over each of the following areas for the City:

- 1) Cash – preparation of bank account reconciliations, recording of cash transactions and physical custody of cash.
- 2) Receipts – collecting, depositing, journalizing and posting non-utility collections.
- 3) Disbursements – presentation of invoices to the City Council, check preparation, check signing, distribution and posting.
- 4) Financial Reporting – preparation of the Council minutes and preparation and distribution of financial reports.
- 5) Water Utility - responsible for bill preparation, collections, posting, deposit preparation and making deposits.
- 6) Also, because City checks require only one signature, the former City Clerk was able to issue checks without proper review and approval.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals involved. However, the duties within each function listed above should be segregated between the City Clerk, Mayor and City Council members. In addition, the Council should review financial records, reconciliations and supporting documentation for accounting transactions on a periodic basis.

Procedures should also be implemented to ensure the proper approval of transactions has been granted by the Council. The City should consider requiring dual signatures on all disbursements made by City check. City officials should also implement procedures to ensure that original copies of the bank statements are directly mailed to and reviewed by an official not responsible for collecting and depositing City funds or responsible for disbursing City funds.

B. Receipts of funds – During our review of the City's financial activity, we found that certain receipts of funds were not deposited into the City's bank account.

Recommendation – We recommend that when possible, receipts of funds are set up to be direct deposited into the City’s bank account. The funds received from the State of Iowa and from Carroll County are currently received in this manner. A perpetual running list of other potential and/or known sources of revenue should be maintained. On a regular basis, this list should be compared to actual deposits that were made to the bank account. If items are on the list for which a deposit cannot be found an explanation should be given regarding why the funds have not been received and deposited. In some cases this may be a grant request or some other potential source revenue which never materialized, but at least there had been some sort of written documentation that there was a potential source of funds that should either be seen being deposited into the bank account or discussed as to why it was not received.

C. Disbursements – During our review of the City’s disbursements for the period from July 2003 through July 2010, we determined:

- 1) Certain disbursements were not supported by invoices or other documentation.
- 2) In many cases it was difficult to determine whether a disbursement had been approved by the Council because there was inadequate or no written record kept by the City Clerk regarding which specific disbursements had been approved.
- 3) Not all disbursements that were made had been presented to the Council for its approval.

Recommendation – The Council should implement procedures to ensure that all disbursements are supported by appropriate documents, such as receipts, invoices or billing statements. The Council should also consider adopting a written disbursement policy to allow payment of certain bills prior to Council approval. All City disbursements should be approved by the Council prior to disbursement with the exception of those specifically allowed by a written policy. For those disbursements paid prior to Council approval, a listing should be provided to the Council at the next Council meeting for review and approval. To strengthen internal controls, each check should be prepared and signed by one person and the supporting vouchers and invoices should be made available, along with the check, to a second or independent person for review and countersignature. The City should determine and document the public purpose served by each expenditure before authorizing further payments.

D. Compensation and reimbursement of expenses – During the review of amounts paid to independent contractors we found that sufficient documentation could not be found for a number of transactions. Several local individuals performed services for the City including mowing, repairs and maintenance, roadwork, and cleanup. In some cases, these services were compensated, but in many cases in they were not.

Recommendation – Approval for work to be completed by independent contractors should be documented in the Council minutes. In some cases such approval was discussed in the Council minutes, in other cases it was unclear if the work had been approved in advance or the exact terms of the contract were not set forth in detail and documented. Detailed bills should be requested from all independent contractors providing services to the City. The City should implement the use of a standard form for use by all individuals requesting payment for services rendered and for reimbursement of expenses incurred. This form along with all receipts should be required for approval by the City Council prior to payment. Also, no direct payments by the City of personal credit cards should be allowed. In addition, a Council Member or an individual independent of check writing function should review all disbursements to ensure that the amounts disbursed are appropriate and properly supported.

E. Council Minutes – Chapter 21 of the Code of Iowa requires minutes be kept of all meetings of governmental bodies. During our review of the minutes, we determined:

- 1) The minutes were not properly signed by the City Clerk or Mayor to authenticate the record as required by section 380.7(4) of the Code.
- 2) Not all disbursements were presented to the Council for its approval.
- 3) A detailed record of the disbursements that were presented to the Council for its review was not maintained making it difficult to ascertain whether certain disbursements had been authorized or not.

Recommendation – The City should ensure that the City Clerk and the Mayor sign all meeting minutes. The minutes should include all actions taken at the meeting, including a detailed listing of all individual bills approved.

F. Written Policies and Procedures – During the course of performing the agreed upon procedures enumerated above we found no evidence of written policies and/or procedures regarding financial and accounting operations.

Recommendation – The Council should review its financial/accounting operations and establish written policies and procedures to provide guidelines those individuals working with City financial and accounting functions. At a minimum the policies and procedures should address the following:

- 1) General financial and accounting expectations, types of records to be maintained, monthly reports to be provided, types of documentation to be maintained, the disbursement approval process and access to accounting records or other items susceptible to theft or misuse.
- 2) Types and limits on amounts of purchases allowed from City funds.

- G. Supporting Documentation – During our review of the City’s financial activity, we were unable to locate supporting documentation for many receipts and disbursements.

Recommendation – Supporting documentation, such as receipt books, receipts or invoices, should be maintained for all receipts and disbursements. The City should consider developing a record retention policy.

The Mayor and City Council have already begun to implement some of the recommended internal control procedures listed above and have expressed a firm commitment to continue to work on strengthening the City’s internal control procedures.

City of Willey
Agreed Upon Procedures
Exhibit A - Summary of Questionable Items

Exh. #	Description	Total	Fiscal Y/E	06/30/04	Fiscal Y/E	06/30/05	Fiscal Y/E	06/30/06	Fiscal Y/E	06/30/07	Fiscal Y/E	06/30/08	Fiscal Y/E	06/30/09	Fiscal Y/E	06/30/10
B	Questionable checks made payable to Lori Schreck and to Pleasant Valley Day Care	6,925.80		0.00		434.60		2,803.06		1,213.75		882.39		905.00		687.00
C	Improper payments made to Capital One	3,120.71		0.00		0.00		0.00		0.00		0.00		2,120.71		1,000.00
D	Questionable and improper payments made to Amazon.com	599.27		0.00		0.00		0.00		0.00		0.00		543.33		55.94
E	Questionable checks made payable to immediate family members	7,024.39		0.00		510.00		550.00		3,446.95		1,347.44		670.00		500.00
F	Questionable cash withdrawals	350.00		0.00		0.00		0.00		0.00		350.00		0.00		0.00
G	Cash collected but not deposited	614.00		0.00		125.00		170.00		0.00		152.00		75.00		92.00
H	Other questionable checks	17.66		0.00		0.00		0.00		17.66		0.00		0.00		0.00
Unauthorized payments and undeposited funds		18,651.83		0.00		1,069.60		3,523.06		4,678.36		2,731.83		4,314.04		2,334.94
I	State of Iowa - Undeposited State Warrants	2,086.52		458.19		0.00		0.00		850.18		778.15		0.00		0.00
J	Carroll County - lost revenue due to failure to certify ag land levy	158.00		0.00		0.00		0.00		0.00		158.00		0.00		0.00
K	Penalties and interest on late payments of sales tax	141.67		0.00		15.98		31.46		0.00		41.48		52.75		0.00
Lost revenue and unnecessary expenditures		2,386.19		458.19		15.98		31.46		850.18		977.63		52.75		0.00
Totals		21,038.02		458.19		1,085.58		3,554.52		5,528.54		3,709.46		4,366.79		2,334.94

See Independent Accountants' Report

City of Willey
Agreed Upon Procedures
Exhibit B - Cleared Checks that were written to Lori Schreck and/or Pleasant Valley Day Care

Item #	Cleared Bank	Num	Name	P	[1] Willenborg-Schreck	[2] Pleasant Valley Day Care	[3] Total	[4] Authorized Comp.	[4b] Comp. Period	[5] Authorized Reimb.	[6] Unauth. Amount	[7] Bank Stmt Ref.	[8] Auth?	[9] Doc?
B1	12/05/03	2242	Lori Schreck	Y	550.00		550.00			550.00	0.00	B.04.06.4	YES	[LWS]
B2	01/20/04	2263	Lori Schreck	Y	130.00		130.00			130.00	0.00	B.04.07.2	YES	[LWS]
B3	02/18/04	2277	Lori Schreck	Y	53.00		53.00			53.00	0.00	B.04.08.4	YES	[LWS]
B4	03/09/04	2283	Lori Schreck	Y	63.50		63.50			63.50	0.00	B.04.09.2	YES	[LWS]
B5	04/06/04	2296	Lori Schreck	Y	60.00		60.00			60.00	0.00	B.04.10.3	YES	[LWS]
B6	05/04/04	2309	Lori Schreck	Y	62.50		62.50			62.50	0.00	B.04.11.3	YES	[LWS]
B7	06/08/04	2322	Lori Schreck	Y	65.00		65.00			65.00	0.00	B.04.12.4	YES	[LWS]
B8	07/07/04	2328	Lori Schreck	Y	60.00		60.00			60.00	0.00	B.05.01.4	YES	[LWS]
B9	08/09/04	2347	Lori Schreck	Y	78.00		78.00			78.00	0.00	B.05.02.3	YES	[LWS] & RCPT
B10	08/30/04	2353	Lori Schreck	Y	91.50		91.50			91.50	0.00	B.05.02.4	YES	[LWS] & RCPT
B11	09/28/04	2410	Lori Schreck	Y	281.25		281.25			81.25	200.00	B.05.03.4	PART.	[LWS]
B12	11/02/04	2420	Lori Schreck	Y	80.00		80.00			80.00	0.00	B.05.05.3	YES	[LWS]
B13	11/08/04	2428	Lori Schreck	Y	72.50		72.50			72.50	0.00	B.05.05.4	YES	[LWS]
B14	11/18/04	2440	Lori Schreck	Y	45.80		45.80			45.80	0.00	B.05.05.5	YES	[LWS]
B15	01/03/05	2451	Lori Schreck	Y	249.44		249.44			108.00	141.44	B.05.07.4	PART.	[LWS] & RCPTS
B16	03/23/05	2474	Pleasant Valley Day Care	Y		800.00	800.00		Jan-Apr 05		0.00	B.05.09.4	YES	NO
B17	05/02/05	2488	Pleasant Valley Day Care	Y		200.00	200.00		May 05		0.00	B.05.11.3	YES	NO
B18	05/11/05	2494	Lori Schreck	Y	55.84		55.84			55.84	0.00	B.05.11.4	YES	[LWS] & RCPTS
B19	05/17/05	2497	Lori Schreck	Y	52.82		52.82			52.82	0.00	B.05.11.4	YES	RCPT
B20	05/17/05	2498	Lori Schreck	Y	90.00		90.00			59.31	30.69	B.05.11.4	YES	PART
B21	06/01/05	2499	Pleasant Valley Day Care	Y		262.47	262.47		Jun 05	0.00	62.47	B.05.12.3	PART.	RCPTS
B22	06/23/05	2506	Pleasant Valley Day Care	Y		200.00	200.00		Jul 05		0.00	B.05.12.4	YES	NO
B23	08/04/05	2522	Pleasant Valley Day Care	Y		200.00	200.00		Aug 05		0.00	B.06.02.4	YES	NO
B24	09/13/05	2538	Pleasant Valley Day Care	Y		200.00	200.00		Sep 05		0.00	B.06.03.4	YES	NO
B25	09/28/05	2542	Lori Schreck	Y	189.15		189.15			189.15	0.00	B.06.03.4	YES	[LWS] & RCPTS
B26	10/04/05	2543	Pleasant Valley Day Care	Y		200.00	200.00		Oct 05		0.00	B.06.04.3	YES	NO
B27	10/25/05	2548	Pleasant Valley Day Care	Y		800.00	800.00				800.00	B.06.04.4	NO	NO
B28	11/10/05	2550	Pleasant Valley Day Care	Y		545.68	545.68		Nov-Dec 05	145.68	0.00	B.06.05.3	YES	[LWS]
B29	01/09/06	2577	Pleasant Valley Day Care	Y		200.00	200.00		Jan 06		0.00	B.06.07.4	YES	NO
B30	01/09/06	2586	Lori Schreck	Y	53.04		53.04				53.04	B.06.07.5	NO	NO
B31	02/09/06	2593	Pleasant Valley Day Care	Y		292.27	292.27		Feb 06	65.85	26.42	B.06.08.4	PART.	[LWS]
B32	02/28/06	2603	Pleasant Valley Day Care	Y		200.00	200.00		Mar 06		0.00	B.06.08.4	YES	NO
B33	03/30/06	2613	Lori Schreck	Y	276.38		276.38			37.38	239.00	B.06.09.5	PART.	[LWS]
B34	03/30/06	2614	Pleasant Valley Day Care	Y		200.00	200.00		Apr 06		0.00	B.06.09.5	YES	NO

See Independent Accountants' Report

City of Willey
Agreed Upon Procedures
Exhibit B - Cleared Checks that were written to Lori Schreck and/or Pleasant Valley Day Care

Item #	Cleared Bank	Num	Name	P	[1] Willenborg-Schreck	[2] Pleasant Valley Day Care	[3] Total	[4] Authorized Comp.	[4b] Comp. Period	[5] Authorized Reimb.	[6] Unauth. Amount	[7] Bank Stmt Ref.	[8] Auth?	[9] Doc?
B35	04/18/06	2624	Consumer Lumber was payee per G/L, payee per cleared check was Pleasant Valley Day Care Lori Willenborg-Schreck	N		1,084.60	1,084.60	0.00		0.00	1,084.60	B.06.10.4	NO	NO
B36	04/27/06	2626	Lori Schreck	Y	67.95		67.95			67.95	0.00	B.06.10.5	YES	[LWS] & RCPTS
B37	05/09/06	2627	Pleasant Valley Day Care	Y		200.00	200.00	200.00	May 06		0.00	B.06.11.3	YES	NO
B38	05/11/06	2640	Pleasant Valley Day Care	Y		600.00	600.00				600.00	B.06.11.4	NO	NO
B39	06/07/06	2643	Pleasant Valley Day Care	Y		200.00	200.00	200.00	Jun 06		0.00	B.06.12.3	YES	NO
B40	07/07/06	2665	Pleasant Valley Day Care per G/L	M		200.00	200.00	200.00	Jul 06		0.00	B.07.01.5	YES	NO
B41	07/07/06	2667	Lori Schreck Per G/L	M	642.95		642.95			77.50	565.45	B.07.01.5	PART.	NO
B42	07/28/06	2673	Pleasant Valley Day Care	Y		200.00	200.00	200.00	Aug 06		0.00	B.07.01.6	YES	NO
B43	07/28/06	2674	Lori Schreck	Y	156.42		156.42				156.42	B.07.01.6	NO	NO
B44	09/01/06	2690	Pleasant Valley Day Care	Y		200.00	200.00	200.00	Sep 06		0.00	B.07.03.4	YES	NO
B45	09/27/06	2701	Pleasant Valley Day Care	Y		200.00	200.00	200.00	Oct 06		0.00	B.07.03.5	YES	NO
B46	09/27/06	2702	Lori Schreck	Y	127.50		127.50				127.50	B.07.03.5	NO	NO
B47	10/27/06	2716	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Nov 06		0.00	B.07.04.5	YES	NO
B48	11/29/06	2730	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Dec 06		0.00	B.07.05.5	YES	NO
B49	01/02/07	2741	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Jan 07		0.00	B.07.07.4	YES	NO
B50	02/06/07	2758	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Feb 07		0.00	B.07.08.2	YES	NO
B51	03/06/07	2766	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Mar 07		0.00	B.07.09.3	YES	NO
B52	03/22/07	2775	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Apr 07		0.00	B.07.09.4	YES	NO
B53	05/01/07	2787	Pleasant Valley Day Care	Y		300.00	300.00	300.00	May 07		0.00	B.07.11.3	YES	NO
B54	05/03/07	2788	Lori Schreck	Y	218.38		218.38				218.38	B.07.11.3	NO	NO
B55	05/23/07	2801	Lori Schreck	Y	146.00		146.00				146.00	B.07.11.4	NO	NO
B56	06/01/07	2802	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Jun 07		0.00	B.07.12.4	YES	NO
B57	07/02/07	2813	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Jul 07		0.00	B.08.01.3	YES	NO
B58	08/02/07	2830	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Aug 07		0.00	B.08.02.3	YES	NO
B59	09/06/07	2838	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Sep 07		0.00	B.08.03.3	YES	NO
B60	09/06/07	2839	Lori Schreck	Y	100.00		100.00				100.00	B.08.03.3	NO	NO
B61	10/03/07	2854	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Oct 07		0.00	B.08.04.4	YES	NO
B62	10/31/07	2861	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Nov 07		0.00	B.08.04.5	YES	NO
B63	11/07/07	2870	Lori Schreck	Y	100.00		100.00				100.00	B.08.05.4	NO	NO
B64	11/30/07	2871	Lori Schreck	Y	400.00		400.00				400.00	B.08.05.4	NO	NO
B65	12/04/07	2872	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Dec 07		0.00	B.08.06.4	YES	NO
B66	12/24/07	2895	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Jan 08		0.00	B.08.06.6	YES	NO
B67	02/04/08	2913	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Feb 08		0.00	B.08.08.4	YES	NO
B68	03/04/08	2924	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Mar 08		0.00	B.08.09.4	YES	NO

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City of Willey
Agreed Upon Procedures
Exhibit B - Cleared Checks that were written to Lori Schreck and/or Pleasant Valley Day Care

Item #	Cleared Bank	Num	Name	P	Willenborg- Lori Schreck	[2] Pleasant Valley Day Care	[3] Total	[4] Authorized Comp.	[4b] Comp. Period	[5] Authorized Reimb.	[6] Unauth. Amount	[7] Bank Stmt Ref.	[8] Auth?	[9] Doc?
B69	03/31/08	2927	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Apr 08		0.00	B.08.09.4	YES	NO
B70	04/29/08	2939	Pleasant Valley Day Care	Y		300.00	300.00	300.00	May 08		0.00	B.08.10.3	YES	NO
B71	05/23/08	2947	Lori Schreck	Y	282.39		282.39				282.39	B.08.11.3	NO	NO
B72	05/29/08	2951	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Jun 08		0.00	B.08.11.4	YES	NO
B73	07/01/08	2960	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Jul 08		0.00	B.09.01.2	YES	NO
B74	07/31/08	2969	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Aug 08		0.00	B.09.01.3	YES	NO
B75	08/27/08	2978	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Sep 08		0.00	B.09.02.3	YES	NO
B76	09/16/08	2986	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Oct 08		0.00	B.09.03.3	YES	NO
B77	10/29/08	2997	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Nov 08		0.00	B.09.04.3	YES	NO
B78	11/12/08	3005	Lori Schreck	Y	425.00		425.00				425.00	B.09.05.3	NO	NO
B79	11/26/08	3013	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Dec 08		0.00	B.09.05.3	YES	NO
B80	12/23/08	3028	Pleasant Valley Day Care	Y		420.00	420.00				420.00	B.09.06.4	NO	NO
B81	01/13/09	3036	Lori Schreck, no such payment was posted to G/L, however \$60 ck # 2855 made payable to Randy Stanzky was found on G/L but never cleared the bank.	N	60.00		60.00				60.00	B.09.07.3	NO	NO
B82	01/20/09	3038	Payee per G/L was Michael Schreck, payee per cleared ck was Lori Schreck	N	300.00		300.00	300.00	Jan 09		0.00	B.09.07.3	YES	NO
B83	02/04/09	3042	Payee per G/L was Patrick McGuire, payee per cleared ck was Pleasant Valley Day Care	N		300.00	300.00	300.00	Feb 09		0.00	B.09.08.3	YES	NO
B84	02/25/09	3050	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Mar 09		0.00	B.09.08.3	YES	NO
B85	04/03/09	3062	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Apr 09		0.00	B.09.10.3	YES	NO
B86	04/28/09	3074	Pleasant Valley Day Care	Y		300.00	300.00	300.00	May 09		0.00	B.09.10.3	YES	NO
B87	06/01/09	3084	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Jun 09		0.00	B.09.12.3	YES	NO
B88	07/02/09	3093	Pleasant Valley Day Care	Y		300.00	300.00	300.00	Jul 09		0.00	B.10.01.2	YES	NO
B89	08/06/09	3104	Payee per G/L was Jacob Schreck, payee per cleared ck was Lori Schreck	N	300.00		300.00	300.00	Aug 09		0.00	B.10.02.3	YES	NO
B90	08/27/09	3106	Lori Schreck	Y	300.00		300.00	300.00	Sep 09		0.00	B.10.02.3	YES	NO
B91	09/22/09	3124	Lori Schreck	Y	497.00		497.00	300.00	Oct 09		197.00	B.10.03.4	PART.	NO
B92	11/17/09	3134	Lori Schreck	Y	300.00		300.00	300.00	Nov 09		0.00	B.10.05.2	YES	NO
B93	12/01/09	3144	Lori Schreck	Y	350.00		350.00	300.00	Dec 09		50.00	B.10.06.3	PART.	NO
B94	01/13/10	3147	Lori Schreck	Y	200.00		200.00	200.00	Jan 10		0.00	B.10.07.2	YES	NO
B95	01/29/10	3164	Lori Schreck	Y	200.00		200.00	200.00	Feb 10		0.00	B.10.07.3	YES	NO
B96	03/03/10	3169	Lori Schreck	Y	200.00		200.00	200.00	Mar 10		0.00	B.10.09.2	YES	NO

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City of Willey
Agreed Upon Procedures
Exhibit B - Cleared Checks that were written to Lori Schreck and/or Pleasant Valley Day Care

Item #	Cleared Bank	Num	Name	P	[1] Willenborg-Schreck	[2] Pleasant Valley Day Care	[3] Total	[4] Authorized Comp.	[4b] Comp. Period	[5] Authorized Reimb.	[6] Unauth. Amount	[7] Bank Stmt Ref.	[8] Auth?	[9] Doc?
B97	03/23/10	3174	Lori Schreck	Y	235.26		235.26			35.26	200.00	B.10.09.2	PART.	PART
B98	04/06/10	3176	Lori Schreck	Y	200.00		200.00	200.00	Apr 10		0.00	B.10.10.2	YES	RCPT
B99	05/05/10	3183	Lori Schreck	Y	200.00		200.00	200.00	May 10		0.00	B.10.11.2	YES	NO
B100	06/02/10	3185	Lori Schreck	Y	200.00		200.00	200.00	Jun 10		0.00	B.10.12.2	YES	NO
B101	06/02/10	3186	Lori Schreck	Y	240.00		240.00				240.00	B.10.12.2	NO	NO
B102	07/07/10	3191	Lori Schreck	Y	200.00		200.00	200.00	Jul 10		0.00	B.11.01.2	YES	NO
Totals					9,308.57	17,205.02	26,513.59	17,200.00		2,387.79	6,925.80			
Number of checks					48	54	102							

Authorized Compensation

\$ 4,400.00	Jan 05 - Oct 06 (22 months @ \$200 per month)
11,400.00	Nov 06 - Dec 09 (38 months @ \$300 per month)
1,400.00	Jan 10 - Jul 10 (7 months @ \$200 per month)
\$ 17,200.00	Total

Notes:

The reference in Column 7 indicates the bank statement where this cleared check can be found. For example, B.04.06.4 indicates the 4th page of the bank statement for the 6th month of the 2004 fiscal year. That would be the 4th page of the December 2003 bank statement.
In Column 8 items marked as PART. were partially authorized. A portion of the payment was authorized while another portion of the payment was not authorized.
In Column 9 indicates that the supporting documentation was a spreadsheet prepared by Ms. Schreck, RCPT indicates that the supporting documentation was a receipt from a store, and PART RCPT means there was a receipt to support part of the disbursement, while there was no supporting documentation to support the remainder.

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City of Willey
Agreed Upon Procedures
Exhibit C - Unauthorized payments made to Capital One

Item #	Date Cleared	Description per Bank Statement	Payment Made	Authorized Amount	Improper Payment	Bank Stmt Ref.	Auth.	Supp. Doc.	Comments
C1	02/10/09	Capital One Online Pmt	1,408.79	0.00	1,408.79	B.09.08.1	NO	NO	\$1,408.79 payment to Capital One Online cleared the bank on 2/10/09. This appears to have been offset by three bogus transactions that were posted to the G/L which never actually cleared the bank. The bogus journal entries include a payment of \$1,378.79 dated 12/31/08 to Drees Oil, and service charges totalling \$30.00 paid to Carroll County State Bank (\$20.00 dated 1/31/09 and \$10.00 dated 2/28/09.
C2	05/26/09	Capital One Online Pmt	711.92	0.00	711.92	B.09.11.1	NO	NO	\$711.92 payment to Capital One cleared the bank on 5/26/09. This was offset by entry to G/L on 4/30/09 for \$711.92 without a description of payee.
C3	05/04/10	Capital One Online Pmt	1,000.00	0.00	1,000.00	B.10.11.1	NO	NO	\$1,000 actual payment to Capital One cleared the bank on 5/4/10. This was offset by two bogus adjustments to entries to the G/L. Ck # 3133 dated 11/4/09 to City of Dedham changed from \$500.00 to \$1,000.00 per the Audit Trail and Ck # 3170 dated 3/5/10 to Dedham Cooperative changed from \$11.21 to \$511.21 per the Audit Trail.
Totals			3,120.71	0.00	3,120.71				

The City had no credit card account. These three payments to Capital One were for a personal credit card. They were unauthorized and unsupported by any documentation.

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City of Willey
Agreed Upon Procedures
Exhibit D - Questionable and unauthorized payments made to Amazon.com and Amazon Marketplace Internet

Item #	Date Cleared Bank	Description per Bank Statement	[1]			[2]			[3]			Bank Stmt Ref.	Comments
			Payment Made	Authorized Amount	Questionable Amount	Auth. Disb.	Supp. Docs						
D1	12/27/07	Amazon Internet	169.99	169.99	0.00	YES	YES					B.08.06.1	This payment was entered into the G/L as a payment to Amazon. It was for a QuickBooks Pro 2008.
D2	09/02/08	Amazon Internet	189.99	0.00	189.99	NO	NO					B.09.03.1	These purchases were not authorized and no supporting documentation was found. It also appears there was an attempt made to hide these two transactions in the financial statements.
D3	09/24/08	Amazon Internet	28.49	0.00	28.49	NO	NO					B.09.03.1	Instead of these two payments of \$189.99 and \$28.49 totaling \$218.48 made to Amazon, there were three entries totaling \$218.48 posted to the G/L that did not clear the bank. These were a payment of \$198.48, and two bank service charges of \$10.00.
D4	11/13/08	Amazon Marketplace Internet	19.99	0.00	19.99	NO	NO					B.09.05.1	These five transactions totaling \$298.38 were not authorized and no supporting documentation was found.
D5	11/13/08	Amazon Internet	34.97	0.00	34.97	NO	NO					B.09.05.1	An entry indicating a payment made to CCSB for \$298.38 was posted to the G/L. No such payment cleared the bank.
D6	11/14/08	Amazon Internet	108.49	0.00	108.49	NO	NO					B.09.05.1	
D7	11/14/08	Amazon Marketplace Internet	93.72	0.00	93.72	NO	NO					B.09.05.1	
D8	11/14/08	Amazon Marketplace Internet	19.22	0.00	19.22	NO	NO					B.09.05.1	
D9	11/28/08	Amazon Internet	21.99	0.00	21.99	NO	NO					B.09.05.1	

See Independent Accountants' Report

City of Willey
Agreed Upon Procedures
Exhibit D - Questionable and unauthorized payments made to Amazon.com and Amazon Marketplace Internet

Item #	Date Cleared Bank	Description per Bank Statement	[1]	[2]	[3]	Auth. Disb.	Supp. Docs	Bank Stmt Ref.	Comments
			Payment Made	Authorized Amount	Questionable Amount				
D10	12/02/08	Amazon Internet	5.99	0.00	5.99	NO	NO	B.09.06.1	These two payments to Amazon were not authorized and no supporting documentation was found.
D11	12/03/08	Amazon Marketplace Internet	20.48	0.00	20.48	NO	NO	B.09.06.1	An entry indicating a bank service charge of \$26.47 paid to CCSB was found in the G/L. No such bank service charge cleared the bank.
D12	08/11/09	Amazon MarketPlace Internet	79.94	0.00	79.94	NO	NO	B.10.02.1	These two payments to Amazon were not authorized and no supporting documentation was found.
D13	08/11/09	Amazon MarketPlace Internet	14.98	0.00	14.98	NO	NO	B.10.02.1	An entry indicating a check to Drees Oil for \$94.92 was found in the G/L. No such check cleared the bank.
D14	10/07/09	Amazon Marketplace Adjustment	-38.98	0.00	-38.98	NO	NO	B.10.04.1	This appears to have been a credit against one of the earlier purchases from Amazon. Not recorded as received from Amazon in the financial statements.
Totals			769.26	169.99	599.27				

See Independent Accountants' Report

City of Willey
Agreed Upon Procedures
Exhibit E - Questionable payments made to the former City Clerk's (Ms. Schreck's) immediate family members

Date			[1]			[2]		[3]			Bank		
Item #	Cleared Bank	Check #	Description per Bank Statement	Amount		Authorized Amount	Questionable Amount	Bank Stmt Ref.	Auth.	Supp. Docs	Comments		
				Paid									
E1	09/12/03	2216	Keith Schreck	150.00		150.00	0.00	B.04.03.4	YES	YES	10 hrs water, 4 hrs road use, 1 hr mailboxes general per G/L		
E2	11/08/04	2429	Keith Schreck	510.00		0.00	510.00	B.05.05.4	NO	NO	not authorized and no supporting documentation		
E3	07/11/05	2512	Keith Schreck	200.00		0.00	200.00	B.06.01.4	NO	NO	not authorized and no supporting documentation		
E4	09/13/05	2537	Keith Schreck	250.00		0.00	250.00	B.06.03.4	NO	NO	not authorized and no supporting documentation		
E5	04/19/06	2623	Keith Schreck	28.00		28.00	0.00	B.06.10.4	YES	YES	labor and materials per G/L		
E6	08/29/06	2688	Keith Schreck	1,500.00		0.00	1,500.00	B.07.02.4	NO	NO	not authorized and no supporting documentation		
E7	04/18/07	2786	Keith Schreck	987.95		0.00	987.95	B.07.10.4	NO	NO	reimbursement for skid loader per G/L, not authorized and no supporting documentation		
E8	05/17/07	2794	Keith Schreck	489.00		0.00	489.00	B.07.11.4	NO	NO	work on skidloader, city property, etc per G/L, not authorized and no supporting documentation		
E9	12/11/07	2886	Keith Schreck	100.00		100.00	0.00	B.08.06.5	YES	NO	December 07 "water checks"		
E10	01/09/08	2898	Keith Schreck	100.00		100.00	0.00	B.08.07.4	YES	NO	January 08 "water checks"		
E11	01/15/08	2908	Keith Schreck	390.00		0.00	390.00	B.08.07.5	NO	NO	work on skidloader, city property, etc per G/L, not authorized and no supporting documentation		
E12	02/13/08	2912	Keith Schreck	100.00		100.00	0.00	B.08.08.3	YES	NO	monthly water checks per G/L, Feb 08		
E13	03/11/08	2918	Keith Schreck	100.00		100.00	0.00	B.08.09.3	YES	NO	monthly water checks per G/L, Mar 08		
E14	04/08/08	2926	Keith Schreck	100.00		100.00	0.00	B.08.10.2	YES	NO	monthly water checks per G/L, Apr 08		
E15	04/15/08	2938	Keith Schreck	782.44		0.00	782.44	B.08.10.3	NO	NO	work on skidloader, city property, etc per G/L, not authorized and no supporting documentation		
E16	05/08/08	2940	Keith Schreck	100.00		100.00	0.00	B.08.11.3	YES	NO	monthly water checks per G/L, May 08		
E17	06/12/08	2952	Keith Schreck	100.00		100.00	0.00	B.08.12.3	YES	NO	monthly water checks per G/L, Jun 08		

See Independent Accountants' Report

City of Willey
Agreed Upon Procedures
Exhibit E - Questionable payments made to the former City Clerk's (Ms. Schreck's) immediate family members

Item #	Date Cleared Bank	Check #	Description per Bank Statement	[1]		[2]		[3]		Bank Stmt		Supp. Docs	Comments
				Amount Paid	Amount	Authorized Amount	Questionable Amount	Ref.	Auth.				
E18	07/09/08	2958	Keith Schreck	100.00	100.00	100.00	0.00	B.09.01.2	YES	NO	monthly water checks per G/L, Jul 08		
E19	07/17/08	2968	Keith Schreck	520.00	0.00	0.00	520.00	B.09.01.3	NO	NO	work on skidloader, mow city property, etc per G/L, not authorized and no supporting documentation		
E20	08/12/08	2975	Keith Schreck	150.00	0.00	0.00	150.00	B.09.02.3	NO	NO	mowing road ditches per G/L, not authorized and not supporting documentation		
E21	08/26/08	2972	Keith Schreck	100.00	100.00	100.00	0.00	B.09.02.2	YES	NO	monthly water checks per G/L, Aug 08		
E22	09/08/08	2979	Keith Schreck	100.00	100.00	100.00	0.00	B.09.03.2	YES	NO	monthly water checks per G/L, Sep 08		
E23	11/12/08	2990	Keith Schreck	100.00	100.00	100.00	0.00	B.09.05.2	YES	NO	monthly water checks per G/L, Oct 08		
E24	11/12/08	3000	Keith Schreck	100.00	100.00	100.00	0.00	B.09.05.2	YES	NO	monthly water checks per G/L, Nov 08		
E25	12/08/08	3010	Keith Schreck	100.00	100.00	100.00	0.00	B.09.06.2	YES	NO	monthly water checks per G/L, Dec 08		
E26	01/06/09	3029	Keith Schreck	100.00	100.00	100.00	0.00	B.09.07.3	YES	NO	monthly water checks per G/L, Jan 09		
E27	02/09/09	3040	Keith Schreck	100.00	100.00	100.00	0.00	B.09.08.3	YES	NO	monthly water checks per G/L, Feb 09		
E28	03/17/09	3048	Keith Schreck	100.00	100.00	100.00	0.00	B.09.09.3	YES	NO	monthly water checks per G/L, Mar 09		
E29	04/13/09	3060	Keith Schreck	100.00	100.00	100.00	0.00	B.09.10.2	YES	NO	monthly water checks per G/L, Apr 09		
E30	05/12/09	3072	Keith Schreck	100.00	100.00	100.00	0.00	B.09.11.2	YES	NO	monthly water checks per G/L, May 09		
E31	06/02/09	3082	Keith Schreck	100.00	100.00	100.00	0.00	B.09.12.3	YES	NO	monthly water checks per G/L, Jun 09		
E32	07/10/09	3091	Keith Schreck	100.00	100.00	100.00	0.00	B.10.01.2	YES	NO	monthly water checks per G/L, Jul 09		
E33	09/01/09	3102	Keith Schreck	100.00	100.00	100.00	0.00	B.10.03.2	YES	NO	monthly water checks per G/L, Aug 09		

See Independent Accountants' Report

City of Willey
Agreed Upon Procedures
Exhibit E - Questionable payments made to the former City Clerk's (Ms. Schreck's) immediate family members

Item #	Date Cleared Bank	Check #	Description per Bank Statement	[1]		[2]		[3]		Bank Stmt Ref.	Auth.	Supp. Docs	Comments
				Amount Paid	Amount	Authorized Amount	Questionable Amount						
E34	09/22/09	3108	Keith Schreck	100.00		100.00	0.00			B.10.03.2	YES	NO	monthly water checks per G/L, Sep 09
E35	12/28/09	3146	Keith Schreck	79.21		79.21	0.00			B.10.06.3	YES	NO	diesel fuel per G/L
E36	05/31/10	3190	Keith Schreck	500.00		0.00	500.00			B.10.12.2	NO	NO	use of equipment / mowing per G/L, not authorized and no supporting documentation
Totals - checks payable to Keith Schreck				8,736.60	2,457.21	6,279.39							
E37	06/07/06	2649	Jacob Schreck	100.00		0.00	100.00			B.06.12.4	NO	NO	"mowing" handwritten on check, not authorized, no supporting documentation
E38	07/28/06	2675	Jacob Schreck	150.00		0.00	150.00			B.07.01.6	NO	NO	"mowing" per check, not authorized, no supporting documentation
Totals - checks payable to Jacob Schreck				250.00	0.00	250.00							
E39	10/31/06	2717	Michael Schreck	300.00		0.00	300.00			B.07.04.5	NO	NO	not authorized, no supporting documentation
E40	07/16/07	2816	Michael Schreck	175.00		0.00	175.00			B.08.01.3	NO	NO	not authorized, no supporting documentation
Totals - checks payable to Michael Schreck				475.00	0.00	475.00							
E41	05/04/07	2789	Patrick McGuire	20.00		0.00	20.00			B.07.11.3	NO	NO	not authorized, no supporting documentation
Totals - checks payable to Patrick McGuire				20.00	0.00	20.00							
Totals - checks payable to immediate family				9,481.60	2,457.21	7,024.39							

\$100 checks to Keith Schreck were authorized for the period from December 2007 through September 2009 for monitoring the water system.

See Independent Accountants' Report

City of Willey
Agreed Upon Procedures
Exhibit F - Unexplained cash withdrawals

Item #	Date Cleared Bank	Description per Bank Statement	Amount Paid	Authorized or Explained Amount	Questionable Amount	Bank Stmt Ref.	Auth.	Supp. Docs.
F1	07/25/07	Check	350.00	0.00	350.00	B.08.01.3	NO	NO
Totals			350.00	0.00	350.00			

"ADVICE OF DEPOSIT OR CHARGE TO YOUR ACCT" # 10235 dated 7/25/07 for \$350.00. Appears to have been signed for by Lori Willenborg-Schreck. No supporting documentation was found to indicate what these funds were used for.

City of Willey
Agreed Upon Procedures
Exhibit G - Funds received but not deposited

Item #	Date Cleared Bank	Amount per Deposit Detail	Actual Amount Per Bank	Amount Short	Deposit Detail	W/P Ref.
G1	04/11/05	191.00	66.00	125.00	p. 14	B.05.10.3 Deposit of \$191.00 on 4/7/05 per G/L. Actual deposit was \$66.00 that cleared the bank on 4/11/05. Deposit was \$125.00 short. Appears to have been a payment received from Ron Becker.
G2	10/07/05	40.00	0.00	40.00	p. 22	N/A Appears to have been offset on G/L by 4/11/05 payment to MidAmerican Energy. No such payment actually cleared the bank.
G3	12/05/05	1,035.65	905.65	130.00	p. 25	B.06.06.3 Deposit of \$40.00 from Allan Heithoff (cash) on 10/1/05 per the G/L. No such deposit cleared the bank. Offset on G/L by \$40.00 payment on 10/7/05 to Postmaster. No such payment cleared the bank.
G4	09/05/07	233.00	121.00	112.00	p. 57	B.08.03.3 Deposit of \$130.00 from Randy Huegerich on 12/5/05 can not be found on the bank statement. Appears to have been offset by comment "move money to right fund". Deposit of \$233.00 on 8/31/07 per the G/L can not be found clearing the bank. Deposit of \$121.00 actually cleared on 9/5/09.
G5	10/19/07	40.00	0.00	40.00	p. 60	N/A The \$112.00 difference appears to be offset by a \$112.00 payment to the Treasurer State of Iowa on 9/1/07 per the G/L on 9/1/07 which never actually cleared the bank. \$40.00 deposit on 10/19/07 from Ron Becker per the G/L can not be found clearing the bank. Appears to be offset by a \$50.00 bank service charge dated 12/31/07 which actually cleared the bank for \$10.00.
G6	03/10/09	75.00	0.00	75.00	p. 87	N/A Deposit of \$75.00 on 3/10/09 per the G/L can not be found clearing the bank. Appears to be offset by \$75.00 payment on 2/28/09 to LGI per the G/L which also can not be found clearing the bank.
G7	07/17/09	186.00	94.00	92.00	p. 93	B10.01.2 Deposit of \$186.00 on 7/15/09 per the G/L can not be found clearing the bank. Deposit of \$94.00 actually cleared on 7/17/09. The \$92.00 difference appears to be offset by a \$92.00 increase on the G/L to a payment made to Glidden REC.
Totals				1,800.65	1,186.65	614.00 Per the G/L an EFT payment of \$205.38 to Glidden REC was made on 7/20/09. The actual payment was a \$113.38 which cleared the bank on 7/13/09. This was a difference of \$92.00.

See Independent Accountants' Report

City of Willey
Agreed Upon Procedures
Exhibit H - Other questionable checks

Item #	Date Cleared Bank	Description per Bank Statement	Amount Per G/L	Proper Amount	Questionable Amount	Bank Stmt Ref.	Auth.	Supp. Doc.	Comments
H1	10/09/06	Check 2708	17.66	0.00	17.66	B.07.04.4	UNK	NO	Payee was changed. Check that actually cleared was made payable to Bauer Built Tire. Per the G/L payee was Haley Equipment. Unknown if this disbursement was authorized. No supporting documentation was found.
Totals			17.66	0.00	17.66				

City of Willey
 Agreed Upon Procedures
 Exhibit I - Undeposited warrants received from the State of Iowa

<u>Item #</u>	<u>Date Issued by State</u>	<u>Warrant #</u>	<u>Amount Issued Per State of IA</u>	<u>Expired Amount Per State</u>	<u>Comments</u>
11	12/29/03	03380445	458.19	458.19	Not deposited into the City's checking account.
12	12/27/06	62512938	850.18	850.18	Not deposited into the City's checking account.
13	08/30/07	62896905	778.15	778.15	Not deposited into the City's checking account.
Totals			2,086.52	2,086.52	

These three warrants were not cashed and have become outdated warrants. Thus far they have not been re-issued, but the City can request them to be re-issued.

**City of Willey
Agreed Upon Procedures
Exhibit J - Potential property tax revenue lost due to a failure by the City Clerk to certify the ag land levy**

The City receives property tax revenue from the county after property taxes are submitted to the county by the property owners. In order to receive these funds the City is required to certify the property levy on an annual basis. For the 7/1/06 through 6/30/07 tax year the City Clerk failed to certify the Ag land levy. Because the Ag land levy was not certified Carroll County did not remit the City of Willey's proportionate share of the property tax to the City on ag land for that tax year. This would have been received from July 1, 2007 through June 30, 2008. The estimated lost revenue was approximately \$158.00.

City of Willey
Agreed Upon Procedures
Exhibit K - Penalties and interest paid on sales tax returns filed after the due date

Year	Qrt	Qrt Ended	5% State Sales			LOST 1% Local			SILO 1% School Local			Tax	Penalty	Interest	Total	Due Date	Late?	Date Filed
			Sales	Tax	Option	Sales Tax	Local	Option	Op Tax	Local	Op Tax							
2001	1	03/31/00										-			-	04/30/00		
2001	2	06/30/00	1,356.83	67.84	-	-	-	-	-	-	-	67.84	-	-	67.84	07/31/00		
2001	3	09/30/00	1,636.24	81.81	-	-	-	-	-	-	-	81.81	-	-	81.81	10/31/00		
2001	4	12/31/00	2,919.60	145.98	-	-	-	-	-	-	-	145.98	-	-	145.98	01/31/01		
2001	1	03/31/01	1,494.71	74.74	-	-	-	-	-	-	-	74.74	-	-	74.74	04/30/01		
2001	2	06/30/01	2,032.70	101.64	-	-	-	-	-	-	-	101.64	-	-	101.64	07/31/01		
2001	3	09/30/01	1,561.08	78.05	-	-	-	-	-	-	-	78.05	-	-	78.05	10/31/01		
2001	4	12/31/01	3,553.66	177.68	-	-	-	-	-	-	-	177.68	-	-	177.68	01/31/02		
2002	1	03/31/02	2,065.81	103.29	-	-	-	-	-	-	-	103.29	-	-	103.29	04/30/02		
2002	2	06/30/02	2,126.58	106.33	-	-	-	-	-	-	-	106.33	-	-	106.33	07/31/02		
2002	3	09/30/02	2,836.07	141.80	-	-	-	-	-	-	-	141.80	-	-	141.80	10/31/02		
2002	4	12/31/02	2,483.18	124.16	-	-	-	-	-	-	-	124.16	-	-	124.16	01/31/03		
2003	1	03/31/03	No supporting documentation is available									-			-	04/30/03		
2003	2	06/30/03	No supporting documentation is available									-			-	07/31/03		07/30/03
2003	3	09/30/03	No supporting documentation is available									-			-	10/31/03		11/10/03
2003	4	12/31/03	No supporting documentation is available									-			-	01/31/04		02/12/04
2004	1	03/31/04	2,453.43	122.67	24.53	-	-	-	-	-	-	147.20			147.20	04/30/04		04/19/04
2004	2	06/30/04	1,959.48	97.97	19.59	-	-	-	-	-	-	117.56	-	-	117.56	07/31/04		07/26/04
2004	3	09/30/04	2,663.00	133.15	26.63	-	-	-	-	-	-	159.78	15.98	-	175.76	10/31/04	YES	01/27/05
2004	4	12/31/04	2,156.00	107.80	21.56	-	-	-	-	-	-	129.36	-	-	129.36	01/31/05		01/27/05
2005	1	03/31/05	4,910.00	245.52	49.10	-	-	-	-	-	-	294.62	-	-	294.62	04/30/05		05/10/05
2005	2	06/30/05	2,447.00	122.38	24.47	-	-	-	-	-	-	146.85	-	-	146.85	07/31/05		07/29/05
2005	3	09/30/05	2,805.00	140.00	28.00	-	-	-	-	-	-	168.00	-	-	168.00	10/31/05		10/31/05
2005	4	12/31/05	2,724.00	136.00	27.00	-	-	-	-	-	-	163.00	-	-	163.00	01/31/06		01/27/06
2006	1	03/31/06	4,207.00	210.00	42.00	42.00	-	-	-	-	-	294.00	29.40	2.06	325.46	05/02/06	YES	05/08/06
2006	2	06/30/06	No supporting documentation is available									-			-	07/31/06		07/26/06
2006	3	09/30/06	No supporting documentation is available									-			-	10/31/06	YES	11/08/06
2006	4	12/31/06	No supporting documentation is available									-			-	01/31/07	YES	02/07/07
2007	1	03/31/07	No supporting documentation is available									-			-	04/30/07		05/02/07
2007	2	06/30/07	2,382.00	119.00	24.00	24.00	-	-	-	-	-	167.00	16.70	1.34	185.04	07/31/07	YES	08/03/07

See Independent Accountants' Report

City of Willey
Agreed Upon Procedures
Exhibit K - Penalties and interest paid on sales tax returns filed after the due date

<u>Year</u>	<u>Qrt</u>	<u>Ended</u>	<u>Qrt</u>	<u>5% State Sales Tax</u>				<u>LOST 1% Local Option Sales Tax</u>		<u>SILO 1% School Local Op Tax</u>		<u>Tax</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total</u>	<u>Due Date</u>	<u>Late?</u>	<u>Date Filed</u>
				<u>Sales</u>	<u>Tax</u>	<u>State</u>	<u>Local</u>	<u>Option</u>	<u>School</u>	<u>Local</u>	<u>Op</u>							
2007	3	09/30/07	2,365.00	118.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	166.00	-	-	166.00	10/31/07		10/30/07
2007	4	12/31/07	3,097.00	155.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	217.00	21.70	1.74	240.44	01/31/08	YES	02/06/08
2008	1	03/31/08	3,847.00	192.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	268.00	-	-	268.00	04/30/08		04/16/08
2008	2	06/30/08	2,201.00	110.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	154.00	-	-	154.00	07/31/08		07/15/08
2008	3	09/30/08	No supporting documentation is available									-			-	10/31/08	YES	11/04/08
2008	4	12/31/08	2,650.00	159.00	27.00	27.00	-	-	-	-	-	186.00	18.60	1.30	205.90	01/31/09	YES	02/10/09
2009	1	03/31/09	4,391.00	263.00	44.00	44.00	-	-	-	-	-	307.00	30.70	2.15	339.85	04/30/09	YES	05/19/09
2009	2	06/30/09	1,603.00	96.00	16.00	16.00	-	-	-	-	-	112.00	-	-	112.00	07/31/09		07/29/09
2009	3	09/30/09	648.00	39.00	6.00	6.00						45.00	-	-	45.00	10/31/09		10/20/09
2009	4	12/31/09	No supporting documentation is available									-			-	01/31/10		
2010	1	03/31/10	-	-	-	-	-	-	-	-	-	-	-	-	-	04/30/10	YES	
2010	2	06/30/10	No supporting documentation is available									-	-	-	-	07/31/10		

Totals 2,566.49 494.88 181.00 3,242.37 133.08 8.59 3,384.04

Total Penalties and Interest 141.67

See Independent Accountants' Report